

## **Assessment and Recommendations**

## Overview of rural England

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*There is no region in England that can be considered predominantly rural, as defined by the OECD*

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England lies above the OECD average for intermediate and predominantly urban regions in terms of territory, population and share of GDP. Using the OECD definition, about 10% of England's population is considered rural. In intermediate regions, the rural population makes up about 28% of the total, while it is about 4% in predominantly urban regions. Using the rural typology employed by the UK authorities, roughly 80% of the population is classified as urban (living in a place of more than 10 000 inhabitants) and 20% is rural. Of the 9.6 million rural residents only 600 000 (6%) live in "sparse" rural areas but they constitute the vast majority of the population of these areas, since there are only 100 000 urban residents in sparse areas. By contrast, the roughly 9 000 000 rural residents in "less sparse" areas are only 20% of the total population. One can roughly identify the less sparse territory as being adjacent to, or influenced by, urban settlements, while the sparse territory is relatively free from major urban influences.

While the United Kingdom has a relatively large predominantly rural territory, as defined using the OECD typology, none of this land is found within England. Thus, England is in the same category within the OECD as the Netherlands, New Zealand and Luxembourg, which all have no predominantly rural regions. Typically, the analysis of rural conditions and rural policy within the OECD has largely focused on conditions in predominantly rural areas. These areas are characterised by: low population densities, the absence of large cities, relatively long distances to major urban settlements and limited internal economic and social linkages. While there are rural areas within England, they do not correspond to these characteristics and the challenges facing rural policy in rural England are thus somewhat different to those confronting rural regions in most of the OECD.

To deal with the absence of predominantly rural regions, this report uses the UK authorities' rural typology. This approach is more appropriate for a densely settled country where the majority of the rural population and rural territory are in close proximity to urban centres. A key concept in the typology is the idea of sparseness, which captures the difference between more densely, settled rural areas, which are generally found near urban places, and the less common remote rural regions, where settlement density is lower. Because the territory of England is relatively small given the population, a fine spatial grid is also required in order to allow rural areas to be identified. Since urban places are distributed across the countryside, the use of larger spatial aggregations, like districts, results in average population densities that mask their rural elements, even if a large share of the territory is rural in nature.

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*On average, rural England has better demographic and socio-economic indicators than urban areas*

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England's rural areas, like Scotland's, challenge the demographic profile typical of other OECD rural areas. England's population has been growing over time, and the population of rural areas has been growing at a faster rate due mainly to the influx of retirees. The availability of housing in rural areas is consequently a much larger problem in rural England than in most OECD countries, many of which are experiencing declines in rural population. The growth in the rural population largely comes from an influx of older native born individuals from urban areas in England, particularly retirees and commuters from urban areas. The rural population is therefore ageing quite rapidly, even by OECD standards. This inflow of older urban residents has made rural regions older and wealthier, as these individuals typically bring considerable wealth with them. Conversely, the increase in urban population largely comes from overseas immigration. Birth rates in urban and rural England have been falling, as is the case in virtually all OECD countries, and natural replacement rates are now no longer sufficient to sustain population growth.

Rural England as a whole displays good socio-economic indicators as compared to urban areas and experiences a positive migration balance. A key difference between urban and rural disadvantage is that the less well off in urban areas tend to be geographically concentrated in specific neighbourhoods in a city, while the rural disadvantaged are more likely to be dispersed across the territory. However, there are important differences between rural households in sparse and less sparse regions. While those households in less sparse regions, which make up the majority of rural households, have a lower rate of poverty than urban households, the converse is true for rural households in sparse regions. In 2006-07 the proportion of households with less than 60% of the median income in urban areas was about 19%, while it was 18% in less sparse regions and 26% in sparse regions. This distinction between sparse and less sparse holds for other socio-economic indicators. While rural in aggregate does better than urban, it is because the majority of rural households are found in less sparse territory, where conditions are better than the urban and rural averages. However, for the minority of rural residents located in sparse territory many indicators are considerably worse than the urban average.

Despite these demographic and socio-economic differences, rural England also shares a number of important characteristics with rural areas in other OECD countries. These include: a high rate of outmigration by rural youth, very low birth rates among the rural population, a diminished relative role for agriculture and other primary industries in the rural economy, and challenges in adapting the rural economy to a more open trading system and shifting international comparative advantage. This latter point has important implications for the mix of skills and firm types that will be needed in the future rural economy.

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*There are relatively large amounts of green space in all regions of England, including London*

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While Greater London has virtually no rural land, it does have a considerable amount of green space – 38% of the territory, excluding gardens. In other English regions, the

largest share of developed land is found in the Southeast, at 12.2%, with the South West having the smallest share at 7%. Further, a large share of the English countryside has been set aside for public use. One of the most visible forms of restriction on development are greenbelts. Much of the land in the peri-urban area surrounding cities has been designated as open space. The primary purpose for designation is to limit urban sprawl, but a secondary effect is to create proximate green space for urban dwellers. While some land in greenbelts has been released for urban expansion, the amount of undeveloped land in the various regions remains relatively constant. In 2006, there were 1.67 million hectares of greenbelt in England, or about 13% of English territory.

Rural England has a diverse set of natural landscapes. Major categories of designated lands include: national parks (8%), areas of outstanding natural beauty (16%), sites of special scientific interest (8%) and environmentally sensitive areas (9%). Another 8% is designated for other types of environmentally related public purposes. But due to extensive land management, there is very little land in England that could be characterised as wilderness. The land base that is currently least influenced by human activity roughly corresponds to those areas that are most remote from urban development. An important characteristic of the English landscape is the high percentage of land used for agriculture. England has one of the higher percentages of agricultural land in the OECD. Compared to many larger countries, a much larger percentage of England's land is suitable for growing crops. Historically, a major focus of rural policy in England was to ensure that this land be maintained in crop production for reasons of food security. While the amount of land in farms has been declining over time, it has declined faster for non-arable land than higher quality farmland, and land in farms has declined at a slower rate than the increase in rural population.

In many ways sustainable management of the natural environment is key to understanding rural policy in England. There is a strong cultural attachment to the "English countryside" and this in turn has led to a strong focus on environmental preservation. The environment has long played an important role in social and political discourse in England. But now, concerns with climate change have added a further dimension to an already complex topic. Concerns with the environment also include: accommodating population growth, the reduction of various types of pollution, protection of species, minimising the adverse effect of transport systems and managing land use in a sustainable way. These all have important implications for the quality of life of rural residents and on the economic structure of rural England.

Because England is part of an island the marine ecosystem plays almost as significant a role as the terrestrial one. Typically England's rural policy has not had a strong focus on coastal issues, but the majority of the coastline is outside urban areas. In particular climate change is projected to increase vulnerability to flooding in numerous coastal locations. In 2009-10, 56% of the EUR 1.24 billion budget of the Environment Agency was allocated for flood and coastal risk management. This has important implications for examining the interaction between flood mitigation strategies and rural policy. A second clear coastal link is the potential for offshore wind power which will require new transmission capacity to be constructed in proximate rural areas.

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### *The compact nature of England results in a high degree of connectivity between urban and rural*

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There are few rural parts of the country that are more than a half hour drive from a medium-size city. This makes England similar to such OECD countries as, the Netherlands, Belgium and Japan. A consequence of this is a high level of coupling of rural and urban regions. This coupling leads to a general public interest in the “countryside” that is both an advantage and a constraint for rural development. Much policy that relates to rural areas is influenced by this high degree of connectivity. In particular, the ability of urban people to readily visit rural areas, and the opportunity for most rural people to visit, work, shop and obtain public services in urban areas has led the UK government to adopt a rural policy framework, mainstreaming, that focuses on the similarities between rural and urban areas.

The settlement pattern in rural England has evolved into a structure with a large number of very small or micro-communities. Much of rural England is characterised by villages and hamlets. A considerable share of the English population (6.7%) lives in communities of less than 500 people. Only places of 30 000 and above, which account for 71% of the population, have a larger population share. Thus, of the 20% of the English population found in rural areas, roughly one third live in places smaller than 500. Another 6%, or so, live in places between 500 and 2 500 in size. In total these two groups account for about two-thirds of the rural population.

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### *The planning framework and rural housing needs sometimes conflict*

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The limited availability and high cost of housing in many parts of rural England affect both the quality of life of rural residents and the competitive position of the rural economy. Housing is the single largest expense item for most households, and the cost of housing is on average a larger share of household income in rural areas than in urban ones. This reflects a growing rural population that has consistently exceeded the growth rate of housing and a trend towards smaller family sizes. Rural house prices are higher, both on average, and for the lowest price quartile than urban prices. In both sparse and less sparse territories, average house prices in the smallest communities (hamlets and isolated dwellings) exceeded house prices in urban areas (population > 10 000) for the 2000-07 interval. For the lowest quartile of the housing stock this trend continues. While house prices fell with the onset of the recession, there still appears to be a considerable gap between urban and rural house prices.

Affordability is a particular problem in rural England due to the combination of higher housing prices and lower household incomes. In 2007, a rural household earning an average income would pay an amount 7.7 times its annual income for an average-price rural house, while an urban household with an average income would pay 5.9 times its annual income for an average house. There are important regional variations across the country, with rural homes in the South and Midlands that are influenced by London's property market having greater affordability problems than houses in the north. Despite higher housing prices, formal measures of homelessness are lower in rural areas than in urban centres, but to some extent this reflects the lower incidence of formal shelters and a greater likelihood of people staying with friends and relations in rural areas.

A well recognised goal of the land planning system was to limit new housing construction in rural areas. Initially, this reflected the goal of maintaining land in agriculture, but more recently it has been justified as a way to preserve open space and to reduce energy consumption associated with dispersed settlements. In conflict with the planning goal has been, a desire by people to move to the countryside, a desire for more spacious dwellings and a decline in household size. In many rural communities the result has been increasing competition for a relatively static housing stock. Moreover, the same planning restrictions have tended to place limits on the amount of rural land that can be used for business purposes. Both firms that might have wanted to locate in a rural community and firms in rural communities that require additional space have been adversely affected by restrictive planning, and consequently there are fewer rural employment opportunities than there might otherwise have been.

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*There are important differences between the urban and rural economies*

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At one level, the nature of the rural economy differs little from that of urban England. Adopting a broad national accounts perspective, the economic structure of rural England is roughly the same as that of urban England. This is important, because it is seen as removing an important justification for the existence of rural policy as a distinct set of policies and programmes that focus only on rural areas because of their uniqueness. While there are modest differences between the various sectors in terms of the number of establishments in urban and rural England; the relative importance of the various sectors, other than agriculture, is roughly similar. If similar calculations are carried out by employment, it also appears that there are limited differences between urban and rural. Further, if a major justification for rural policy is to support agriculture, then the steady decline in farm numbers and the shrinking share of employment in agriculture make this rationale for rural policy less relevant.

But the economy of rural England is not homogeneous, in that there are important differences among various rural communities. While, on average, rural areas may have an economic structure that is not very different than the average urban structure, the high degree of variability across rural areas limits the value of the average as a basis for understanding local economic conditions. Moreover, since a rural region is, by definition, an aggregation of small settlements, it is impossible for the economic structure to resemble that of an urban region at anything other than a broad brush level. A more nuanced and disaggregated approach suggests that the economic structure of rural England is quite different than that of urban England. While land-based activities no longer define the rural economy, there are still a number of important ways in which the economic structure of rural England differs from that of urban England. These include:

- a different mix of industries,
- a different occupational mix in terms of skills,
- a higher incidence of self-employment,
- a different size distribution of firms, with micro firms and sole proprietorships being more common and very large firms being very scarce in rural England, and
- a different size distribution of places.

As noted earlier rural England is made up of small settlements that have truncated economies and are highly dependent upon “export-oriented” businesses for their viability; urban England, by contrast, consists of much larger settlements that have complex internal

economic structures that allows a broader range of goods and services and greater self-sufficiency.

Self-employment and employment in small firms accounts for a larger share of total employment in rural areas. In sparse rural areas, there is very little employment in large firms, and in the rural parts of less sparse regions, large firms account for roughly half the share of employment that they do in urban less sparse regions. Conversely, in rural areas small firms of various types account for the majority of employment, with the smallest firms accounting for larger shares in sparse territory and as size of place declines. This is a logical reflection of smaller local labour markets in rural areas and also the difficulty in getting planning approval for developing large parcels of land for business purposes.

Unemployment rates in rural England are lower than in urban England but follow the same trends. Prior to the current recession unemployment rates in urban and rural areas fell steadily for over a decade, but with unemployment rates in rural England maintaining a fairly steady two percentage points below those in urban England. In both urban and rural England, there is also a relatively stable rate of economic inactivity – that is people nominally of working age who are neither employed nor active job seekers. Of the economically inactive, roughly 25% in all regions would like a job, with a slightly larger share in urban areas wanting employment. Discouraged workers are also roughly equal percentages of the labour force in urban and rural regions. Part-time employment rates are roughly constant across different degrees of rurality, but a larger share of rural part time workers indicate that they prefer to work part time than is the case in urban regions.

In general, the rural labour force is less qualified than the urban labour force. This reflects differences in occupational structure (for example, there are few job opportunities in investment banking or neuro-surgery in rural areas). But the unemployed in rural areas have similar characteristics to the urban unemployed, except for a slightly smaller percentage of students seeking work and a slightly higher percentage of people who have withdrawn from the workforce and are not seeking a job. In turn, lower qualifications lead to lower earnings and rural areas reflect this phenomenon. The incidence of low-wage jobs is higher in the more rural parts of England. While low wages may reflect uncompetitive local labour markets, where employers have a dominant bargaining position, they may also reflect an occupational mix where a larger share of workers add limited value and consequently receive low pay.

### Productivity is the main driver of economic growth

In general, rural areas have lower rates of productivity growth than do urban regions. However, once the effect of London is taken out the differences are greatly reduced. Although the UK in aggregate has lagged other OECD countries in terms of productivity growth, some parts of the UK have exhibited relatively high levels of productivity growth, while others have low levels. Further, within regions there are even wider variations in productivity among places than exist between regions. Rural areas on average have a work force that has a higher proportion of individuals with lower levels of skill, both in terms of formal education and in work-related training. While many rural industries are capital-intensive, particularly resource-based firms, it can be more difficult to finance investment in rural areas. The network of financial intermediaries is less dense, and because more firms are small, finance is largely restricted to

borrowed funds from banks, with little or no opportunity to access equity or bond markets. This can result in too low capital-labour ratios and low productivity.

Work by the OECD has led to the conclusion that innovation is a key driver of productivity improvement. In rural areas, innovation is particularly important because firms often face constraints that are not present in urban areas. These include: a small local market that can limit growth opportunities and the acceptability of new products, small local labour markets that can lead to difficulty in finding sufficient workers or workers with appropriate skills, higher costs in identifying and accessing external markets and weaker networks of financial and business service providers. Some forms of innovation, especially those based on formal R&D activities, are uncommon in rural areas. But there are many examples of other types of innovation such as rural firms that rely on the owners' ideas to produce novel products or to adapt existing technologies to new uses. In rural England, there are higher rates of new firm formation than in urban areas and the rural economy is dominated by small and medium-size business. In principle, a larger share of SMEs should also lead to a more competitive economic structure, because large firms tend to have more pricing power. However small firms in rural areas may have local monopolies, in the sense that they are the only providers of specific goods or services for a large territory. For example, in small villages, there is often one pub, one petrol station and one village shop, which leads to less competitive behaviour.

An important way to increase innovation and productivity is to ensure that firms, especially small firms, have access to various types of management and technical support. In rural England, business services are provided by: private firms on a for-profit basis; by government action, either directly or indirectly; and through the non-government sector. Because they are small, firms in rural areas tend to rely more on local external providers of services than do larger urban firms, which can afford an internal service provider or draw on external providers from outside the region. Access to debt capital is a major issue, and in more remote rural areas there may be less immediate access to banks or government agencies that deal with business finance. The steady reduction in bank locations and the increase in cash terminals and Internet banking can adversely affect rural businesses. Firms are also typically more dependent on high-speed Internet than are residential users, so slower growth of broadband access and the absence of ICT professionals in rural areas are serious constraints.

The role of small and medium-size firms is crucial to rural prosperity. Rural businesses are dominated by the self-employed and small businesses. Self-employment accounts for 30% of rural firms but only 19% of urban firms. Further, 92% of rural businesses have fewer than ten employees, versus 14% in urban areas. Since most new firms are also small firms, it is not surprising that rural areas have a higher incidence of new firm formation than urban areas. For rural areas, business starts per 10 000 population are consistently above the average for England as a whole. Only major urban centres are also at this high level, and this may reflect the general tendency for a higher incidence of entrepreneurship among immigrants than indigenous populations.

Rural entrepreneurs show a lower interest in expanding their businesses than do their urban counterparts. In terms of local economic development, it is generally recognised that the easiest way to expand employment and income opportunities in a local economy is by growing existing firms, rather than trying to attract firms from outside or create new local firms. Because the rural economy is highly dependent upon SMEs, this makes the reluctance of existing small business owners to expand their firms a potential impediment to growth. A better understanding of why firm owners are reluctant to grow is important.



It may reflect a limited local market and difficulty in tapping external markets. It may reflect a shortage of skilled workers or financial capital. It may reflect difficulties in expanding the physical size of the enterprise due to zoning restrictions. Or, it may simply reflect the owner's personal satisfaction with a business of a given size.

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### *England has a long tradition of sophisticated rural policy*

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Rural policy evolved since the beginning of the 20th century within the context of a shift from rural areas as sites of agricultural production to areas of leisure, conservation and aspirational consumption. The period 1997-2001 is notable for the plethora of new institutions, strategies, priorities and reviews related to rural policy. The extensive institutional changes of this period were as much about improving economic development in English regions as addressing rural issues, and the creation of the RDAs reflected this concern. A second White Paper on rural issues was published in November 2000, alongside an urban White Paper. It marked an important stage in the evolution of the policy framework for rural England, containing 261 commitments to improve rural services, transport, the rural economy, the countryside, rural towns and villages, and the way the government handled rural policy.

Following the creation of the Department for Environment, Food and Rural Affairs (Defra), the Secretary of State for Environment, Food and Rural Affairs commissioned a number of actions to improve the focus and delivery of rural policy. In response to a finding that the rural delivery structures were confusing, bureaucratic and too centralised to meet future challenges, the government, led by Defra, developed the Rural Strategy 2004. The Rural Strategy identified three priorities for a sustainable rural England – economic and social regeneration; social justice for all; and enhancing the value of the countryside. It also led to further changes, including the dismantling of the Countryside Agency and the transfer of its rural advisory function to a new body, the Commission for Rural Communities (CRC). The 2007 Sub-National Review for Economic Development and Regeneration (SNR) is at the heart of the latest round of changes affecting not just rural policy but policy development as a whole in England today. The SNR recognised the need for more changes and suggested reforms in the following areas:

- managing policy at the right spatial levels;
- ensuring clarity of roles;
- enabling places to reach their potential;
- empowering all local authorities to promote economic development and neighbourhood renewal;
- supporting local authorities to work together at the sub-regional level;
- strengthening the regional level; and
- reforming central government's relations the regions and localities.

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### *Mainstreaming is the government's approach to policy delivery*

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England is at the forefront in developing a policy approach that seeks to bridge rural and urban policy needs – this is mainstreaming. Mainstreaming is meant to ensure that people in all parts of England receive comparable policy treatment by government. Consequently, rural development policy takes the form of “rural mainstreaming”. Rather than identifying

specific rural policies, the government focuses on developing broad policies in all departments and agencies to deliver specific benefits to all the people in England, wherever they might live. Under this approach the challenge is to ensure that rural residents receive equitable access to a common set of policies and programmes. This policy approach to rurality is unique in OECD countries. The rural mainstreaming approach recognises that there are some distinctive aspects to the delivery of certain policy objectives in rural areas. But, rather than seeing them as conflicting with the government's mainstreaming agenda, the goal is to support that agenda by improving the knowledge of rural areas and making it available during the policy design and development phase. In addition, rural mainstreaming capitalises on the government's emphasis on devolution, with a multitude of horizontal and vertical collaborations at all levels of government. Furthermore, it stimulates consideration of rural needs and concerns early and at all stages of policy development through an important component to rural mainstreaming, "rural proofing".

Defra as "rural champion" works to ensure that rural remains on the agenda and is not overlooked or diluted by the multiple priorities of sectoral departments. Defra supports rural mainstreaming by allocating its resources in four precise ways: i) to act as rural champion and promote the representation of rural interests in mainstream policy making and delivery; ii) To maintain and develop strong links with the rural network; iii) To improve the evidence base on the rural context and share it with other government departments; and iv) to sponsor other bodies, such as the CRC. However, in the context of rural issues, the wider mandate to mainstream presents some challenges. Whereas Defra's focus is on rural communities and on the wider rural agenda, other departments, such as the Department for Communities and Local Government (CLG) and the Department for Business, Innovation and Skills (BIS), also play major roles in rural policy, but lack a rural focus.

The more simplified rural delivery landscape ushered in by rural mainstreaming translates into a more pared down funding system for Defra, but a complex rural financial framework overall. Defra funds for economic development in rural areas are: the Defra contribution to the RDA's single pot; the Rural Development Programme for England (Pillar 2 of the CAP); and European Structural Funds. In England, local government's functions have steadily increased through devolution, challenging financial capacity in instances where local government responsibilities exceed available resources. Local government is largely reliant on central government for its revenue, as well as raising its own sources of revenue through rates and other fees and charges. The relationship between national, regional and sub-regional levels varies markedly from region to region in terms of co-operation and negotiation. The parish and town councils are not subject to the same restriction on funding as the district and local councils. Although they have much smaller budgets than unitary or two-tier councils, they have more freedom over how it is used.

Mainstreaming and the "places agenda" implement rural policy at the sub-national level through Regional Development Agencies (RDAs) and Government Offices for the Regions (GOs). In the 1990s, the government introduced nine regional agencies as intermediate actors in England and regional Government Offices. While they are not formally a new level of government, they have a degree of operational autonomy. The RDAs and GOs contribute a regional perspective to the development of national policy and work with regional-level partners to develop regional strategies and drive the delivery of national policies at regional level. They are sponsored by national policy departments which make a funding contribution in return for an agreed upon set of activities to be carried out at the regional level. Local development strategies provide a framework within which specific projects and funding

sources can be utilised to greatest advantage. They also assist in the more effective delivery of regional and national programmes and policies. At the sub-regional level there is the Local Development Framework (LDF), the Sustainable Community Strategy (SCS) and the Local Area Agreement (LAA). The introduction of LAAs and SCS has helped to integrate the different themes and priorities for local areas into one place. The LDF is a portfolio of local development documents that collectively represent the spatial planning strategy for local areas.

Local partnerships are key to mainstreaming rural policy in the implementation and design phase at the local level. Given the number of actors at the sub-regional level and the fact that no single organisation can be responsible for ensuring that service provision in an area meets the needs and aspirations of the local community, partnerships have developed to fulfil this role at county and district levels. Local Strategic Partnerships (LSPs) bring together key public providers, such as local authorities, health bodies, education bodies, police, fire and rescue services, and national bodies operating at local level, such as the Department for Work and Pensions, the Environment Agency, and Learning and Skills Councils, with the private and voluntary sectors. A key role of the LSP is to draw up and agree a sustainable community strategy that sets out a vision for the area and key priorities to reflect in a Local Area Agreement.

## Policy assessment

*The rural policy approach in England has a great deal of consistency with the tenets of the NRP*

English policy has made great strides towards the goals of localising public choices, increasing accountability, and instituting evidence-based decision making. The reorganisation of governance, planning and policy assessment, and improvements in horizontal and vertical co-ordination of government are moving in the right direction. Devolution has pushed many public choices down to the regional and local levels. Decentralisation of central government functions has made it possible for there to be increased flows of information between residents and central government. The continuous morphing of England's policy framework over the years has culminated in an approach that:

- broadens rural policy to involve more than agriculture;
- follows an investment-oriented, rather than a subsidy-based policy approach; and
- introduces national economic policies that are more place-based.

Mainstreaming rural in the context of England is both innovative and forward thinking and in many ways represents the future of rural policy, but there are some important gaps.

The foundation for effective mainstreaming is not yet in place. The speed at which England jumped from specific rural policies at the national level to no rural specific interventions as mandated by mainstreaming may have prevented wider take-up. This is largely because mainstreaming is simple in theory but complex in application. The mandate to mainstream rural – to ensure the consideration of rural circumstances as part of day-to-day policymaking – requires wide co-ordination capacity and oversight beyond what is visible. Thus, it appears that in the short-to-medium term, mainstreaming needs *additional specialist rural policy support*.

Mainstreaming creates the risk that policy will treat rural and urban areas as the same when in reality they are not. The idea of mainstreaming can be inappropriately interpreted as

reflecting a belief in the homogeneity of England. But the planning process belies this position and operates in a completely different way. It maintains a bright line between urban and rural. Moreover, English society seems to see urban and rural as distinct and different.

Mainstreaming can also create the expectation that vertical co-ordination between governments will work as well in rural areas as in urban ones. There are numerous reasons to believe that this is not the case – population density, different issues in rural areas (land use, and agriculture are examples), demographic differences, and different determinants of economic success. Reconciling these conflicts is probably crucial for mainstreaming to reach its full potential.

Evidence across the OECD suggests that the body in charge of rural affairs should be able to act as a *super partes* actor. In England, Defra is the “*super parte*” for rural affairs. But realignments within Defra, as well as responsibilities for such issues as climate change and the environment, threaten to divert attention and resources from rural affairs. Moreover, while Defra oversees most rural policy, the CLG oversees rural planning policy and economic development in the regions. Thus, rural development is the responsibility of two government departments and the various agencies linked to them. The challenge for Defra lies in corraling these objectives and/or inserting the “evidence” of rurality into the policy discourse at the appropriate time.

While all departments are charged with adopting a mainstreaming approach, there is little incentive for them to actually do so. If there are costs to delivering mainstreamed policy, then the department absorbs them. If the department sees little benefit from mainstreaming in terms of its core functions, then the presence of additional costs is likely to weaken its commitment to mainstreaming.

Finally, sparsely populated areas are not fully benefiting from mainstreaming. At the sub-regional level, the local capacity to mainstream seems to vary depending on the type of region and its proximity to urban areas. Mainstreaming should recognise the differences between sparse and less sparse rural areas, and recognise how remote rural differs from peri-urban.

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*For mainstreaming to be fully successful, the rural proofing process must be strengthened*

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Rural proofing has become a key mechanism working in concert with rural mainstreaming and there is clear evidence that rural proofing has had a positive impact. In general, thinking about rural implications increasingly takes place *early* in the policy process. Defra, supported by the Commission for Rural Communities connection at the national level, and its visibility through a plethora of activities and support provided to different local bodies, have combined to provide greater knowledge of rural circumstances and characteristics. National policy guidance documents with specific references to rural issues, the official rural and urban definition, and the inclusion of rural concerns in the 2007 comprehensive spending review are examples of successful rural proofing.

However, the rural proofing process has to be better linked to mainstreaming and to Defra’s efforts to ensure that other departments fully consider mainstreaming in the policy design process. In fact, the separation of roles between Defra and the CRC could undermine the capacity to implement both mainstreaming and rural proofing. Rural proofing is the mechanism by which the performance of mainstreaming is evaluated. It is used to check to see whether there is a meaningful difference between urban and rural service delivery

conditions. The CRC is charged with rural proofing as part of its assessment of conditions in rural England, while Defra is responsible for mainstreaming. While there is some merit in having an arm's length evaluation process for rural proofing, this seems to be outweighed by the fact that the CRC is not part of the government and is not involved in the early stages of policy design. Similarly, despite the delineation of tasks between Defra and the CRC, the responsibilities for rural proofing seem somehow less clear and fluid in practice at the national level.

Despite the clear benefits, the take-up and implementation of rural proofing continues to be mixed. Rural proofing seems to have made greater inroads with *ex post* impact assessments of policy than with *ex ante* assessments during the policy design phase. It is seemingly continually thwarted by a “patchy” understanding of the rural dimension of policy, and confusion surrounding responsibilities for proofing are also acknowledged barriers to its effective implementation. There are four “reoccurring” unaddressed policy issues:

1. lack of systematic application across all departments;
2. lack of awareness among some senior staff of the need to carry out rural proofing;
3. lack of consistent leadership to champion the needs of rural area across governments; and
4. lack of effective monitoring of the delivery of policies on rural communities.

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#### *Richer sources of “rural evidence” are needed*

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England has adopted an “evidence-based” approach to developing and assessing public policy. Data is being developed at very fine-grained level of geographical detail. Plans are in place to make these data, information and analyses widely available. The Rural Evidence Hub, with its interactive querying and mapping facility, promises to be a critical component in the successful execution of Evidence Based Policy Making (EBPM). Further, another important innovation is the establishment of the Rural Evidence Research Centre. The Centre’s mapping facility is a good first step.

However, the benefits of EBPM depends on how adequately it is grounded in theory and the quality of the information upon which it is based. Mainstreaming and rural proofing rely upon a proper assessment of local needs and opportunities, and a well thought out vision of how the policy will impact the rural area. If there is little data collected at the sub-national level that has a territorial dimension this makes it hard to describe the rural condition. Further, there is even less time-series data, which makes it difficult to see the impacts of policy over time. Despite the existence of a suite (currently 22) of socio-economic indicators covering a wide range of government policy priorities used to measure progress, it is clear that government as a whole needs to improve its evidence base. The limited number of time series of statistical indicators for England at a low enough spatial scale to allow rural analysis is troubling. Certainly, cross-sectional data provide useful snapshots of conditions at a point in time and may be sufficient to point to the need for a policy intervention. But, without time series data at detailed spatial levels, it is difficult to draw meaningful conclusions about how well particular policies have operated or how rural conditions in specific areas are changing.

Given the still significant role of agriculture in English rural policy, there is limited statistical information on this sector. While agricultural statistics are collected at the UK level, in part as a requirement for CAP participation, only limited data on economic

conditions in agriculture are available for England or for regions within England. Perhaps when the United Kingdom was managed as a single entity, this was not an important issue, but now that there are distinct national units within the UK, the lack of a similarly disaggregated data set for each of the four UK nations is problematic.

There should be more emphasis on *rural opportunity* and evidence should be mustered to better make this case. There is a need to change the argument on rural from disadvantage to advantage. To fully embrace the NRP, England should continue to emphasise the opportunities for growth and development in rural areas. Rather than seeking to defend rural interests by basing policies on rural needs, the main argument should be that rural areas make a positive contribution to the overall health – economic, environmental and social – of an area, and so all should benefit from intervention directed at improving rural. Much of what the CRC does focuses on inequities and not opportunities. While adopting an emphasis on the positive, rather than the negative, may seem somewhat superficial, it is an important way to counteract common misperceptions of rural as lagging and backward.

Understanding and expanding urban-rural linkages is crucial for effective rural policy. With such a high degree of interaction between urban and rural *milieus*, any change in one environment has major implications for the other. London, in particular, exerts a strong influence over most of the rural areas in southern England and well into the Midlands. Other large cities also have major hinterland effects, so there is very little rural territory that is not part of some functional region that has a major city at its core. England is introducing the idea of city regions in an attempt to allow these functional regions to better manage their growth.

There still appears to be a policy bias in favour of urban areas. Building an evidence base at the national level that reaffirms the sameness of rural and urban, thereby justifying no special measures for rural areas, could overlook important differences among rural areas. Rural districts' key sources of employment are in four sectors common to urban areas: distribution and retailing; business and financial services; public administration education, training and health; and manufacturing. However, business owners in rural areas encounter different problems than their urban counterparts. Isolation and population sparsity are also a "crucial distinctive feature of the development prospect for rural areas". Thus the evidence base should be able to distinguish between different types of rural areas, so that policies can be tailored to their circumstances. Additionally, there is some indication that the way policy objectives are formulated leads to a rural disadvantage.

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#### *The governance framework at the sub-regional level has some challenges*

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England is virtually unique in having no formal intermediary layers of government between the national and local levels. In most OECD countries, there are at least three distinct levels of government. In both federal and unitary systems there is typically some form of regional government that has an elected assembly, clearly specified responsibilities and self-determined revenue streams. In federal systems, the states or provinces have clearly enumerated responsibilities that are distinct from those of the national government and are constitutionally guaranteed. In unitary states, the responsibilities and revenues of the intermediary level may be specified through law or through well-established traditions. In the United Kingdom, only England has no intermediate level of elected government.

This is an important issue for rural areas. In a national legislature with membership based upon representation by population, no rural place will be able to play a significant role in electing a member. Further, no member is likely to feel much responsibility to any particular rural place or even to any group of rural places if legislative districts encompass both rural and urban areas.

The decentralisation and regionalisation of governance has progressed significantly in the United Kingdom, including within England. The backdrop for the delivery of rural development policy in England has been reshaped in recent years by a range of initiatives, including: the adoption of place-shaping, partnerships and joint working; the move from a focus on outputs to one on outcomes; the introduction of new approaches to monitoring and evaluation; and an emphasis on local government reorganisation in a manner that promotes a new regional agenda and community empowerment. Based on a multitude of pilot programmes and assessments, a more robust and streamlined multilevel governance framework has become visible in England. The Government Offices in the regions offer opportunities for increased communication in both directions between rural areas and the central government. The Regional Cities policy recognises the linkages between rural and urban components of regional economies. The Multi-Area Agreement programme recognises the need to strike a balance between local autonomy and flexibility on the one hand, and regional co-operation and co-ordination on the other. But, policy makers now face a number of dilemmas regarding the governance of rural England:

How to effectively devolve governance, and fulfil the expressed mandate from central government to provide local areas with as much autonomy and authority as possible.

How to reorganise without alienating current governmental bodies.

How to create strong local governments while ensuring collaboration at regional and national levels.

How to strengthen local and regional governments when most revenue flows down from central governments.

By its nature, decentralisation fragments public policy making and implementation, because it devolves complex and resource-intensive responsibilities to lower levels of government. Across the OECD these multi-level governance structures are under stress. In fact, a recent OECD report, *Mind the gaps: Managing mutual dependence in relations among levels of Governments*, found that multi-layered relationships are being challenged by a series of “gaps” (information, capacity, fiscal, administrative and policy) in the mutually dependent relationship between public actors at the different levels of government. When the multi-level governance relationship observed in England is analysed with these gaps in mind certain challenges are revealed.

The pace of fiscal autonomy at the local level lags behind the pace of devolution. One of the necessary aspects of devolution is moving responsibility and accountability for funding down to the level where decisions must be made. But there remains a sizeable gap between the newly empowered local governments that the government established in principle, and the actual impact as witnessed at the local level. This leaves the impression that the centre is still solely responsible for designing policies and setting standards. There are options for overcoming the possible loss of economies of scale and externality effects associated with devolution, without resorting to excessive micro-management of sub-national service delivery by the centre. The devolved decision-making process and the



places agenda, led by CLG, has already established much of the necessary infrastructure, governance and accountability framework.

In England there is a marked will to devolve resources but also an “enduring government resistance to radical enfranchisement of local government”. Tension between central and local government over the degree of central intervention is not unique to England; similar tensions can be observed in other OECD countries. The tug-of-war in England is rooted in three areas: public expectations, social equality and financial reform. The will to increase sub-national autonomy and the “cautious, possibly over-cautious approach” to actually doing so is evidenced by the LAA/MAAs. In many respects, the LAA/MAA process offers greater ability to target money to local priorities, but on the other hand, there are indications that the central government continues to influence the choice of indicators – thereby influencing local actions.

In general, the RDAs and the Government Offices (GOs) are important innovations. They have moved decision making out of national government bureaucracies, but they remain creatures of the central government with only delegated responsibility and subject to direct oversight. With the RDAs there is an ongoing tension between a desire for uniform behaviour in order to ensure consistency with government policy and the premise that the point of the RDAs is that they should be doing different things, because the conditions in the regions vary. Moreover, there is still an ongoing political question as to whether the RDAs are even needed. This has to weaken the incentives for RDA staff to be proactive or to plan for the long term.

Regional offices do have some important responsibilities and latent capacities that are relevant for rural development. Because each regional office is charged with responsibility for enhancing the economic performance of a specific territory, including its rural component, it has a relatively clear focus on the specific opportunities and constraints within its territory. Regional authorities receive funding for rural development and regional development programmes from national departments responsible for these policies. They have a considerable degree of discretion in how the funds are allocated once their strategic and operational plans are approved, so they can define region specific intervention. They also administer EU funds and while they have less discretion in the global allocation of these funds than is the case with English resources, they do have the ability to fit broad EU programme allocations into specific local projects.

The Government’s reviews of Sub-National Economic Development [SNR] and Local Government are set to have a big impact on RDA delivery of the government’s objectives in rural areas. The merging of the Regional Spatial Strategies and the Regional Economic Strategies into a Single Regional Strategy (SRS) as recommended by the SNR, is wise. It is important though that these two critical determinants of quality of life be totally consistent. More than ever before, the economic development of rural England will depend on sound spatial planning, while the rural environment will depend on the nature of the economic development that is encouraged and permitted. Spatial plans must be measured against their effects on indicators of economic development. Economic development strategies must be measured against indicators of sound land use.

The institutions tasked with co-ordinating the relationships at the sub-national level competencies and capacities vary. Most importantly, the RDAs must now become more adept at balancing economic and spatial planning aspect of the strategies. This is an issue for certain constituencies, such as some elements of the business community, which



prefer the traditionally business-led agenda of the RDAs. Others, like local authorities, are “keen to see integrated strategies that move beyond ‘only’ economic development”. As central government’s key representatives in the regions, GOs have accumulated considerable experience in managing the complex interrelationships between the policies of separate government departments and policy making within the regions. As they matured, they became increasingly deft at providing directions from London to various county, district and local governments, but they are far less adept in moving information in the other direction. There are three possible (and not mutually exclusive) reasons for this. First, local governments may not be making their case to the GOs; second, the GOs may not be paying adequate attention and are not moving the ideas back up; and third, the leadership in London may not be particularly interested in responding to local concerns. GOs have important capabilities that can reinforce the work of the RDAs. For example, the SRS involves important decisions on matters such as transport policy, waste management, minerals, renewable energy, and gypsies and travellers, all of which are topics the RDAs have little or no experience with.

Creating a bottom-up development approach will be difficult in the absence of strong efforts to invest in developing local leaders, and to provide them with adequate means for undertaking some sort of meaningful long-term strategy. More capacity building will be necessary before local and regional institutions are able to fully demonstrate the benefits of diverse and bottom-up governance. A key element of the NRP is a bottom-up process that is driven by local citizens and their institutions. Without strong local institutions, the NRP cannot work. At the moment, local government in England seems to suffer from periodic reorganisations imposed from above. Moreover, there is great inconsistency in the structure of local government, with varying responsibilities among counties, districts, and other local governments. This shifting set of institutions can only contribute to confusion and a sense of lack of control at the local level. The ability of local communities to act independently is greatly constrained by: national planning directives, a limited local tax base and, most importantly, the absence of any tradition of strong local government. The experience of LEADER in much of Europe and of the *Pacte rural* in Quebec shows that this can be done, but it requires patience and commitment by the national authorities.

Despite being welcomed as a “genuinely devolutionary development”, the LAA process is considered by some to be too “top down rather than a genuine negotiation between equal partners”. The capacity of the local level to properly negotiate LAAs, particularly in regions where the urban-rural split is tilted towards the urban, comes into question in the face of nationally imposed targets (sometimes out of sync) and corporate plans that constrain the ability of partners to “consider” rural in the agreement process. It is difficult to agree on rural development strategies in a wider context of conflict between different functional departments of government and between different levels of central and local government. Identifying and agreeing shared priorities represents a considerable challenge where deeply embedded institutional agendas prevail and where the culture of interagency work is poorly developed.

The MAAs in turn are an aggressive step toward “new governance” and horizontal co-ordination of local government by allowing planning for economic development at a multi-local government level. The likely benefits of MAAs include: the costs of economic development spilling over into neighbouring jurisdictions and, the reduction or elimination of wasteful competition among local governments. However, the inducements for local authorities to join an MAA seem to be low. Since MAAs are voluntary, it would

seem that there may be incentives for some local authorities to stay out of the agreements – the so-called “free rider” problem.

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*There is scope to further elevate the influence of the rural voice*

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The rural lobby in England seems to be decreasing rather than increasing in strength. Under the “duty to empower”, the Government’s approach to improving the competitiveness of regions entails supporting and strengthening regional leadership by bringing together business, the public sector, universities and local communities. Thus, there is recognition at all levels that citizen and stakeholder engagement is a prerequisite for truly place-based services. This provides scope to galvanise the wide array of rural actors in England. Taking advantage of bodies already in place is one way. Defra should consider reviewing the eight Regional Rural Affairs Forums to ensure that they are as effective as possible in bringing together the grassroots rural voices in the regions. England could also consider making better use of the Regional Empowerment Partnerships (REPs) which offer a clear, unambiguous route to local authorities and their partners for national bodies wishing to see improved outcomes at a local level. They are uniquely placed to ensure the effective and joined-up delivery of support because they understand how national priorities relate to local priorities, particularly LAA priority outcomes.

The authorities need to be resourceful in finding ways to develop and sustain citizen voice and local leadership. The devolution of responsibility to, and up-skilling of, Parish Councils (and other local authorities) is another important practice; local people should know best the priorities for their local communities. Local community leaders have much to say and much to offer about innovative, creative, locally nuanced service delivery strategies. They argue that, with local knowledge and local input, service options, design, delivery, and staffing could be significantly improved, and, if full-cost accounting were to be undertaken, this might be achieved without great cost increases. In Japan, the planning mechanism at local regional bloc level of the Japanese spatial plan also calls for the co-operation of national and local stakeholders in policy formulation and mandates roundtable discussions between local stakeholders and central government. There are also networks in place to enable local actors and stakeholders to contribute to rural policy.

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*There is a need for more synergies between housing, planning and economic policy*

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In rural areas where people live in small communities that are geographically dispersed, there is a need for housing market flexibility to ensure that regional labour markets work efficiently. Rural communities can be thought of as being analogous to neighbourhoods in a city – some people work in the neighbourhood where they live but others work outside the neighbourhood. The combination of effective public transit and proximity allow more urban workers to live in one neighbourhood and work in another than is the case in rural areas. In a rural context there are large distances among neighbourhoods, so taking a job outside one’s home location is more likely to involve relocation than is the case in a city. For rural labour markets to clear, there has to be either the opportunity to find reasonably priced housing near where jobs are available or an adequate supply of land zoned for business uses in places with excess labour. Neither of these situations is common in rural

England. Further, if those currently without work, but with a home, fear that relocating to another community will leave them with a worse housing situation, there is also likely to be an employment mismatch. It is likely that the causes of high housing prices include the following:

Restrictions on changes in land use limit the land available for development of new housing units. This reduces total housing supply, especially in rural areas, resulting in increased prices.

Planning requirements increase the cost of gaining required permits and approvals, raising the average costs of building new homes. This reduces supply and increases prices.

Restrictions on the adaptation of existing housing stocks to meet the changing demands for housing further increase the price of housing

The high cost and inadequate supply of housing is most acutely felt among low-to-moderate income families and has resulted in multiple policy responses. Increasing the stock of affordable housing through social housing programmes is one response. Social housing programmes subsidise home builders who construct social housing and those low to moderate income families who occupy it, making it possible for more families to afford housing. Another policy response has been to limit the sales and rental of housing units to non-residents of rural communities.

The English planning process presents some limitations. In rural areas, land use policy and housing policy become significant determinants of growth and development. The costs of navigating the process, for both developers and regulators, mean that small projects are relatively unattractive. This creates a built-in bias against development – land and economic – in rural communities, because most rural projects are small-scale.

There is a clear public interest in increasing the stock of rural housing. Lower housing costs increase the ability of employers to attract high quality labour at reasonable cost. Lower housing costs increase the effective incomes of consumers, raising their standard of living while increasing the demand for most products. Owners of existing residential property have an interest in maintaining or increasing housing prices, but the interests of most other private stakeholder groups are served by increasing housing supply and thus reducing prices. Housing construction increases short-run employment.

Reform of land markets would bring benefits overall, but there would be clear losers as well as winners. Because the current system inflates property values, it generates huge windfall gains for current property owners and for a few farm land owners. Reform of this system would mean that current owners would experience windfall losses in asset values. These are well established and powerful stakeholders who could make such a transition slow, painful and expensive. Moreover, it is important to recognise that in many cases, they are not the beneficiaries of *status quo* policies, since the rents generated by those policies were largely capitalised into asset values *before* current owners acquired them. At present, a number of rural communities limit the sale or transfer of property to non-residents in order to make more of the limited number of housing units available to residents. The belief is that non-residents impose a social cost on rural communities, because they are seldom in the community, do not support local shops and do not take part in the cultural fabric of the community. Yet the number of non-resident owners and second home owners continues to rise, and long-time residents continue to have difficulty finding homes in the community.

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### *There are some challenges associated with service delivery in rural England*

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The capacity to provide services in rural areas is compromised, particularly in sparsely populated regions. Service costs are higher in rural areas and local authorities can lack the fiscal resources to meet expectations. Often central bodies are financially unprepared to underwrite the full costs of equal service delivery in rural areas and rural areas increasingly lack the political leverage to mobilise support in their favour.

In England, there is a strong national recognition of the importance of increasing economic competitiveness but limited attention to the role of rural areas in these strategies. The UK government has developed a number of national strategies that are designed to modernise the economy and has challenged the RDAs to bring productivity employment and income in the lagging regions closer to the national average. Because much of rural England is peri-urban and the high growth parts of the economy are often not found in urban core regions, but on the edge of cities (as in most other OECD countries), the importance of rural is likely to be even higher than in countries where rural tends to be a more remote condition.

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### *Create better linkages between English policy and EU policy*

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There is a risk that the UK government may have de-emphasised agriculture in its rural development policy beyond a level that is prudent. It is certainly the case that the direct economic role of agriculture has diminished to the point that it is no longer a major factor in most rural communities. However, the indirect role of farming, especially as it conditions the environment and the persistence of an agricultural focus in the planning process, means that agriculture should in fact be an integral issue in considering rural policy.

The transformation of the CAP from an instrument of agricultural protection and subsidisation policy to one focused more on rural development and environmental protection will necessarily affect England's more mature rural development policy. While the rural development measures in the CAP are still primarily focused on peripheral, remote and underdeveloped regions, they do offer more opportunities for England than previous policies. But in order to benefit from the shift in the CAP to the fullest, England will have to act strategically. As an example of an area where England could benefit from the emerging priorities of the CAP consider multifunctionality. Support for strategies to enhance the multifunctional nature of agriculture could support the land protection and environmental goals of the England.

In the past, England has not fully taken advantage of support from European Regional Policy. EU regional policy is a secondary but still significant component of English regional policy. Regional policy is primarily delivered through the European Regional Development Fund (ERDF). The two primary programmes are the Regional Competitiveness and Employment programme and the Convergence Programme. While all of England qualifies for the Regional Competitiveness and Employment programme, only Cornwall and the Isles of Scilly qualify for the Convergence programme; Merseyside and South Yorkshire qualify as phasing in regions. Further, under EU regional policy each member state is to have a National Strategic Reference Framework (NSRF) in order to qualify for EU funding.

The authorities in England are still conceptualising how to organise their activities in ways that can take best advantage of the funding that is available.

## Recommendations

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### *The current fiscal constraints demand a new approach to thinking about rural development in England*

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The effect of the recession on the UK budget calls into question the potential for maintaining current high levels of public expenditure for many policy areas. Because the UK budget is likely to be more constrained in the future than it has been in the recent past, the following policy recommendations are developed with a period of public fiscal austerity in mind. But while fiscal constraints may limit some forms of public policy, there are still important roles for national public policy to support appropriate development in rural England.

The UK government should resist the temptation to replace existing financial incentives with more regulations. Instead, they should consider designing policies that increase the incentives for local actors to carry out rural development in ways that are consistent with national policy objectives and make greater use of market forces than has been the case in the past. Government should still play a structuring role in this policy environment, but the national government should play a smaller role in the direct delivery of goods and services and in defining the various parameters under which specific local economies operate.

The government should first look for market-based solutions to rural policy problems and only as a last resort move to direct intervention. Some have characterised this approach as one where the government's main role is to steer the boat and not to row it. It is a strategic role that relies upon market incentives to provide day-to-day operational incentives but uses government policy to set conditions that lead to markets providing appropriate signals. While there are many roles for the government to play in rural England, the policy recommendations provided here focus on five key areas that are central to further improvements in rural socio-economic conditions and can play a key role in increasing the productivity of rural firms and workers. These are as follows:

1. introducing a distinct rural component to the regional cities strategy;
2. enhancing mainstreaming to ensure equitable access to an appropriate set of consumer/household services in rural England;
3. strengthening the rural economy by joining up housing policy, planning policy and economic development strategies at the local level;
4. expanding rural connectivity by developing robust networks; and
5. continuing the current work to achieve more effective governance structures.

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### *Broaden the city regions approach to include a rural component*

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If city regions are to be a major part of the spatial development strategy for England, then there has to be some policy in place for those rural areas not part of a city region. At present the city regions strategy seemingly ignores the rural component. England is introducing

the idea of city regions in an attempt to allow these functional regions to better manage their growth. By providing administrative coherence over a local labour market there is greater opportunity to increase private sector and public sector productivity. The available evidence shows that rural communities, households and firms in close proximity to an urban centre take advantage of the broader array of goods and services available there.

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### Enhance mainstreaming

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Mainstreaming should be reinforced with other measures in the short-term, the mandates of mainstreaming and rural proofing should be better integrated, and responsibilities clarified. If the government is to achieve its goal of moving from an “after the fact” policy assessment to one where rural interests are part of mainstream policy design, then the two functions of design and evaluation should be better coupled. One option could be for Defra to take over the rural proofing function and integrate it with its mainstreaming responsibility. Arguably, the CRCs triple mandate – to serve as rural advocate, to provide rural advice to government and to act as a rural watchdog/rural proofing mode – comes with an inherent conflict of interest. The rural advocate role is a significant policy innovation and one that has been beneficial on behalf of rural people and communities in England. However, an advocate is not a neutral party. If the CRC is to provide impartial advice to the government, it should not be tainted with even the hint of an exaggerated “pro-rural” perspective”. On the other side, the current separation of roles between Defra and the CRC is not desirable and weakens the capacity to implement both rural mainstreaming and rural proofing.

Consider more rural-specific interventions, especially for sparsely populated regions where mainstreaming is more challenging. One way could be building upon existing market towns and seaside community programmes. These local population concentrations provide essential economic and social services to their surrounding territory and create smaller functional regions. Policies to support these places as regional hubs could provide a useful complement to the city region approach, especially in those rural areas that lie outside a city region.

Moreover, in English rural areas where urban service delivery solutions have been the least effective the authorities should consider:

*Encouraging a stronger minority voice and linking authorities across jurisdictions.* This requires mechanisms that assure rural populations a voice and ensure transparency of decision-making at all levels of government.

*Moving beyond planning single services to designing an integrated mix of services, and providing flexibility in delivering on mandates.* This requires cross-cutting mechanisms that go beyond any single department and test service decisions in a broader context. This may mean different service models, unconventional providers, and the like. It may also require the ability at local level to pool funding to increase fiscal capacity to undertake service initiatives.

*Adopting a strength-based perspective and recognising and attending to hidden or dispersed disadvantage.* The discourse needs to shift from ideas about subsidising rural areas to making rural investments in the new Green Economy, in the Creative Economy, etc., so that rural areas are seen as current or potential engines of growth.

*Innovating in governance structures and accountability approaches.* In particular, targets and reporting metrics have to be rethought to focus on outcomes, especially where rural service models produce somewhat different outputs. In parallel, more transparent

information on funding levels would make it easier to follow transfers and rural service spending decisions.

*Expanding the discussion on who should pay for services.* To date, mainstreaming has focused on identifying an equitable set of services, without enough consideration of a mechanism to pay for these services. In rural areas, the search for efficiency is leading to consolidation in order to increase the number of users at any site. However the benefits of consolidation in rural areas are often less than anticipated. If the service provider pays any portion of the transport costs, the increased distances travelled offset some of the savings from consolidation. If the client pays the travel costs, then the volume of customers is generally less than anticipated because some users conclude that travel costs are too high to justify the trip. For services that are either provided directly by the UK government or whose provision it influences, by regulations, financial support or some other means, there will be tendency for the service to be designed in an urban-centric way. This simply reflects the fact that the rural population is small relative to the urban population and the sparse rural population is particularly small. As a result, designers will ensure that the programme works in an urban setting. Moreover, in an urban society, it is increasingly unlikely that those charged with designing the service have any particular knowledge of actual rural conditions.

*Addressing the issue of public transportation should be a priority.* Many rural dwellers have difficulty accessing services due to poor public transport. This is a cross-cutting development issue that needs to be tackled on a partnership basis. This is where one would expect to find many innovative trials of new service provision strategies and programmes and to see considerable evidence and commentary on the virtues of rural proofing. There are indeed examples of this being attended to and implemented, but unfortunately these seem to be launched as pilots and then to remain as such rather than becoming core aspects of enduring systemic system change that bubbles across rural regions.

*Identifying new ways to meet the goal of providing an equivalent quality of life in urban and rural areas.* In other OECD countries where large shares of the rural population are found in predominantly rural regions, public services have to be delivered at the point of residence because travel costs are so high. In England, where the vast majority of the rural population lives in peri-urban regions, it is often possible to combine urban and peri-urban demand into common service locations, making for a more efficient scale of service delivery. However, to ensure that rural people receive adequate access, some care has to be taken in determining appropriate locations for services, co-ordination of operating hours with local bus schedules and co-locating services so that multiple activities can take place on a single trip.

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### *Strengthening the rural economy*

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To better identify new ways to enhance the competitiveness of the rural economy, a broader focus than simply on pure economic development approaches will be required. Success will involve finding ways to allow planning policy, housing policy and economic strategies to operate in harmony. The UK government has recognised the importance of increasing productivity in England at the national and regional levels, and there are strategies to increase the productivity of the lowest-performing regions. However, the current macroeconomic approach employed views regional economies as a decomposition

of the national economy, while, in reality, the economy of each of the nine regions is an aggregation of microeconomic units. For a region to have an improved economic performance, the productivity of individual firms has to improve.

The Government needs to reduce the number of government imposed restrictions on individual choice, as a reduction yields higher productivity with no additional outlays. In a period of fiscal constraint where government cannot provide as much direct financial support to local actors, the best option for ensuring a stronger economy may be to find ways to selectively reduce the constraints that firms and local governments face. In England there are numerous constraints on action that come in the form of national regulations and laws, each of which is developed to meet some particular policy objective. There are also regional policy directives and regulations, and there are district and county rules and regulations that affect firms. The multiple layers of regulation can combine to constrain behaviour to a very narrow range of feasible alternatives, which results in lower productivity. Small reductions in the number of constraints could allow significant gains in output and productivity.

Ensure that synergies across policy instruments are considered in advance. While there have recently been comprehensive reviews of planning policy and housing policy, and the government has moved enthusiastically to adopt many of the recommendations, some of these changes are being individually introduced before fully examining how they impact upon each other, and, most importantly, before a full assessment of the links between housing supply, planning goals and economic activity in rural areas is undertaken. The basic unit of analysis for this type of assessment should be the local labour market. The availability of housing, the types of firms and their labour force requirements, as well as the capacity of the transport system, all condition the size of the local labour market. If any of these change significantly, the appropriate spatial unit of analysis also changes. For example, an area with a restricted housing supply and a planning regime that limits new housing and new sites for firms will likely have a geographically large local labour market with high rates of long-distance commuting. This will reflect the difficulty households face in finding housing near job opportunities.

Another priority should be resolving the relative scarcity of social housing in rural England. Resolving the housing problem will entail altering the planning system to modernise it and to include a broader set of objectives. The UK government has thoroughly investigated all the dimensions of the rural housing problem. Unfortunately each of these assessments has both pointed out the need to improve housing markets and made clear the real challenges in finding a politically acceptable solution. There is a clear tension between the desire of people to visit and live in an unspoiled pastoral environment and the obvious impossibility of this environment being maintained if large numbers of people actually try to do this. Planning is vital in a complex society where there are competing demands for resources and potentially large externality impacts on the public, and the structure of the planning process could be improved. Prescriptive planning approaches that set hard targets at national level, such as determining the number and regional distribution of new housing units, may be less appropriate than a more indicative planning system that provides incentives for local communities to determine individual housing targets. If these targets prove to be inappropriate it is possible to alter the incentives so that local targets are adjusted.

Efforts should be made to show how England has the capacity to absorb more rural housing without compromising the nature of the countryside. While there is a popular belief that rural England is already overbuilt, this seems not to be the case. Indeed large parts of the



rural countryside are effectively excluded from development, so the amount of land that is potentially buildable is much smaller than might be thought. New housing units could be added in rural communities in ways that do not detract from the existing *milieu*. In many ways it may be less disruptive to build a few housing units in many places than to build a large number of units in a few places. From a political perspective this results in the costs and benefits of new housing being broadly distributed, rather than concentrated on a few communities.

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### Expanding connectivity

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More attention to improving all forms of connectivity would bring considerable benefits both locally and nationally. The modern economy is increasingly being driven by dense networks for communication and the exchange of goods. The result of this is that successful places everywhere are connected to each other and that places that are not well connected are not successful. Networks within rural areas are inherently less dense than in urban places, because there are fewer individuals and firms. However, rural areas rely on these networks both for internal linkages and for connection to the outside world. Because they are more limited, there is less redundancy and any break in a rural network can have far greater consequences than a similar break in an urban place where duplicate connections exist.

The OECD countries are now part of a global network economy where those with high degrees of connectivity have a competitive advantage over those with fewer and weaker connections. While England has distinct advantages due to its small size, high population density and relatively dense transportation systems, it is still true that many English rural areas, especially the sparse ones, are not full participants in modern society and the network economy. In a period where the UK government faces serious budgetary shortfalls, it is more difficult to justify investments that may not appear to have an immediate payoff. However, if rural England is to be competitive in a global economy and to contribute fully to national wealth, it will require the full set of connectivity investments. For rural areas to prosper they need stronger communication. Governments everywhere have recognised the importance to rural areas of broadband Internet, and there are ongoing efforts in England to finish connections for the last few places and to improve connection speeds across the country.

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### Developing more effective governance structures

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There is a tendency for national governments when faced with declining fiscal resources to transfer delivery responsibilities to lower levels of government. Typically, this transfer is couched in terms of subsidiarity, when in reality it is simply mandated activity that comes without additional resources to carry out the duty. In England the last decade has seen a considerable effort to decentralise a very unitary government structure. The creation of regions has allowed the introduction of policy that no longer provides the same things to all parts of the country.

The lack of a national rural policy may be more than offset by the opportunity for more tailored regional policy. England has moved from a “rural policy” to a “regional policy” as a way to deal with spatial differences. While rural areas are no longer seen as needing a specific “rural policy”, which can be interpreted as a loss of the ability to apply different

types of support from those available in urban areas, the introduction of regions does potentially allow the opportunity for each region to develop interventions that are appropriate for its specific rural territory.

The nine English regions provide an opportunity to reweight national goals established through the PSAs and DSOs in ways that better fit the underlying opportunities in each territory. Devolution of responsibility to the RDAs is an important innovation. It represents a recognition that national laws and policies can only provide a broad brush environment. National results are ultimately the aggregation of individual actions, and the key message of devolution is that improving the local environment is crucial. A continued commitment to effective double devolution should result in improved local competitiveness which leads to improved regional competitiveness and ultimately improved national competitiveness.

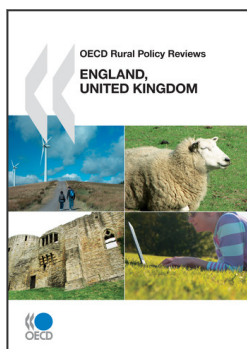
Time will be needed for all the actors to understand the new structure, especially at local level. The trend in OECD countries, including those with unitary governments, is to increase the responsibilities and flexibilities of regions. In England, the establishment of the RDAs, the use of LAAs and MAAs and the introduction of Regional Cities, all point to a governance system that moves decision-making out of Whitehall. This process has inevitably led to an unstable policy environment as the new structure takes shape. It now seems that sufficient reform has taken place to provide an opportunity for new behaviour at the local level. But if the national government is to acquire the evidence to see if these changes are desirable it will have to provide a period of governance stability.

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### Summary

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Specific conditions have led English rural policy to adopt a form that is different from approaches found in other OECD countries. In particular, the absence of any predominantly rural territory focuses the consideration of rural issues on what might in other countries be considered peri-urban areas. Consequently, England has adopted a policy approach that integrates rural and urban milieus through mainstreaming. Further, while facing increasing non-traditional demands for the countryside, England has been able to maintain a highly productive arable agriculture. As noted above, there are still important opportunities for improving rural policy and rural development in England. But there are also important lessons for other OECD countries, as they begin to recognise that the scope of their rural policy has to be extended from only predominantly rural regions into intermediate and predominantly urban regions as well. In particular, the regional city approach and the integration of public services may be useful models for other countries.



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